

ORIGINAL

OPEN MEETING



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MEMORANDUM  
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Arizona Corporation Commission

DOCKETED

DEC 31 2008

TO: THE COMMISSION

2008 DEC 31 P 2: 31

FROM: Utilities Division

AZ CORP COMMISSION  
DOCKET CONTROL

DATE: December 31, 2008

DOCKETED BY

*MM*

RE: SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. AND  
ARIZONA PUBLIC SERVICE COMPANY - APPLICATION FOR APPROVAL OF  
AN ORDER APPROVING AN [SIC] LINE EXTENSION AGREEMENT (DOCKET  
NOS. E-01575A-08-0448, E-1345A-08-0393, AND E-01575A-08-0393)

On August 27, 2008, Sulphur Springs Valley Electric Cooperative, Inc. ("SSVEC") filed an application for approval of its line extension agreement with its customer, SBA Structures, Inc., ("SBA"). In a related joint application filed with Arizona Public Service Company ("APS") on July 31, 2008, SSVEC had earlier requested approval of an electric service authorization agreement allowing it to provide service to SBA (Docket Nos. E-01345A-08-0393 and E-01575A-08-0393). Citing the substantial inter-relation of these two applications, on December 4, 2008, Arizona Corporation Commission Staff ("Staff") filed a Motion to Consolidate the applications for approval of the line extension and electric service authorization agreements within the same docket. The Motion noted that the parties were consulted and had no objection to the consolidation. On December 16, 2008, the two matters were consolidated by procedural order. The line extension agreement is addressed herein, while the SSVEC/APS electric service authorization agreement will be addressed in a separate Staff Memo and Proposed Order within the same docket.

SSVEC/SBA Line Extension Agreement

Line extension agreements are contracts between utilities and customers, the terms of which are not normally reviewed by Staff or approved by the Commission. In the application and in communications with Staff, SSVEC indicated two provisions of the agreement that may deviate from the existing tariff, and so may require review by Staff and approval by the Commission. Accordingly, review and analysis relating to SSVEC's application in this matter address only these two provisions, rather than the Line Extension Agreement as a whole. The two provisions in question concern SBA's agreement to forgo a construction credit and its agreement to pay for costs associated with decommissioning the SSVEC line, should APS take over service to SBA.

Construction Credit

The application states that SSVEC is seeking Commission approval because the SBA/SSVEC line extension agreement differs from other line extension agreements in that SBA would pay for the entire cost of the line extension, without a construction credit. In communications with Staff, however, both SSVEC and SBA have agreed that SBA is not a "permanent customer" under the current SSVEC tariff. (SBA does not own the property to which SSVEC would extend service.) The current SSVEC tariff states that permanent General Service customers are eligible to receive a \$1,400 construction credit, but does not make a similar allowance for customers not meeting permanency standards. The provision requiring SBA to pay for the entire cost of the line extension does not, therefore, deviate from the tariff and the Commission need not act on this contract provision.

Decommissioning Costs

In the related electric service authorization agreement between SSVEC and APS, APS reserves the right to take over service to SBA, should it become economic. In the line extension agreement, SBA agrees to pay the labor costs (less salvage credits) in the event APS takes over service and SSVEC needs to retire all or a portion of its line. While there is language in the SSVEC tariff that supports reimbursement for service facilities no longer in use, it does not clearly relate to non-permanent customers or explicitly cover labor costs for decommissioning a power line stranded when another utility takes over service for a customer not within SSVEC's service area. For this reason, Commission action is necessary with respect to the decommissioning costs provision of the line extension agreement.

SSVEC estimates that it would cost \$15,000 to decommission the line to SBA and states that provision should be made to compensate SSVEC for this cost, should APS take over service to SBA. SSVEC states that it is a nonprofit cooperative and is charged to act prudently to ensure that the agreement with SBA does not result in investment that is stranded and not producing revenue.

Compensation by SBA for the cost of labor for decommissioning SSVEC's line is reasonable, protects the interests of SSVEC's members and was agreed to by SBA.

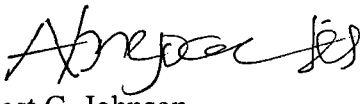
Staff recommends approval of the Line Extension Agreement provision, that SBA pay for the labor costs (less salvage credits) for decommissioning SSVEC's line, if APS decides to take over service to SBA and retire all or a portion of SSVEC's line.

THE COMMISSION

December 31, 2008

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Contract terms unrelated to conformance with the SSVEC tariff are not addressed in this Order, nor does this Order make any judgment regarding the appropriateness of the Line Extension agreement for SBA.

  
for Ernest G. Johnson  
Director  
Utilities Division

EGJ:JMK:lm\WVC

ORIGINATOR: Julie McNeely-Kirwan

1                               **BEFORE THE ARIZONA CORPORATION COMMISSION**

2   MIKE GLEASON  
      Chairman

3   WILLIAM A. MUNDELL  
      Commissioner

4   JEFF HATCH-MILLER  
      Commissioner

5   KRISTIN K. MAYES  
      Commissioner

6   GARY PIERCE  
      Commissioner

7  
8   IN THE MATTER OF THE APPLICATION )  
9   OF ARIZONA PUBLIC SERVICE        )  
10  COMPANY AND SULPHUR SPRINGS )  
11  VALLEY ELECTRIC COOPERATIVE, INC. )  
12  FOR APPROVAL OF AN ORDER )  
13  APPROVING ELECTRIC SERVICE )  
14  AUTHORIZATION AGREEMENTS        )

DOCKET NOS. E-01345A-08-0393  
              E-01575A-08-0393

15  IN THE MATTER OF THE APPLICATION )  
16  OF SULPHUR SPRINGS VALLEY        )  
17  ELECTRIC COOPERATIVE, INC. , AN )  
18  ARIZONA CORPORATION FOR AN )  
19  ORDER APPROVING AN [SIC] LINE )  
20  EXTENSION AGREEMENT            )

DOCKET NO. E-01575A-08-0448

DECISION NO. \_\_\_\_\_

**ORDER**

21  Open Meeting  
22  January 13 and 14, 2009  
23  Phoenix, Arizona

24  **BY THE COMMISSION:**

25                               **FINDINGS OF FACT**

26           1.     Sulphur Springs Valley Electric Cooperative, Inc., ("SSVEC") is engaged in  
27  providing electric power within portions of Arizona, pursuant to authority granted by the Arizona  
28  Corporation Commission.

29           2.     On August 27, 2008, SSVEC filed an application for approval of its line extension  
30  agreement with its customer, SBA Structures, Inc., ("SBA"). In a related joint application filed  
31  with Arizona Public Service Company ("APS") on July 31, 2008, SSVEC had earlier requested  
32  approval of an electric service authorization agreement allowing it to provide service to SBA  
33  (Docket Nos. E-01345A-08-0393 and E-01575A-08-0393). Citing the substantial inter-relation of

1 these two applications, on December 4, 2008, Arizona Corporation Commission Staff ("Staff")  
2 filed a Motion to Consolidate the applications for approval of the line extension and electric  
3 service authorization agreements within the same docket. The Motion noted that the parties were  
4 consulted and had no objection to the consolidation. On December 16, 2008, the two matters were  
5 consolidated by procedural order. The line extension agreement is addressed herein, while the  
6 SSVEC/APS electric service authorization agreement will be addressed in a separate Staff Memo  
7 and Proposed Order within the same docket.

8 SSVEC/SBA Line Extension Agreement

9         3. Line extension agreements are contracts between utilities and customers, the terms  
10 of which are not normally reviewed by Staff or approved by the Commission. In the application  
11 and in communications with Staff, SSVEC indicated two provisions of the agreement that may  
12 deviate from the existing tariff, and so may require review by Staff and approval by the  
13 Commission. Accordingly, review and analysis relating to SSVEC's application in this matter  
14 address only these two provisions, rather than the Line Extension Agreement as a whole. The two  
15 provisions in question concern SBA's agreement to forgo a construction credit and its agreement  
16 to pay for costs associated with decommissioning the SSVEC line, should APS take over service to  
17 SBA.

18 Construction Credit

19         4. The application states that SSVEC is seeking Commission approval because the  
20 SBA/SSVEC line extension agreement differs from other line extension agreements in that SBA  
21 would pay for the entire cost of the line extension, without a construction credit. In  
22 communications with Staff, however, both SSVEC and SBA have agreed that SBA is not a  
23 "permanent customer" under the current SSVEC tariff. (SBA does not own the property to which  
24 SSVEC would extend service.) The current SSVEC tariff states that permanent General Service  
25 customers are eligible to receive a \$1,400 construction credit, but does not make a similar  
26 allowance for customers not meeting permanency standards. The provision requiring SBA to pay  
27 for the entire cost of the line extension does not, therefore, deviate from the tariff and the  
28 Commission need not act on this contract provision.

1 Decommissioning Costs

2       5.     In the related electric service authorization agreement between SSVEC and APS,  
3 APS reserves the right to take over service to SBA, should it become economic. In the line  
4 extension agreement, SBA agrees to pay the labor costs (less salvage credits) in the event APS  
5 takes over service and SSVEC needs to retire all or a portion of its line. While there is language in  
6 the SSVEC tariff that supports reimbursement for service facilities no longer in use, it does not  
7 clearly relate to non-permanent customers or explicitly cover labor costs for decommissioning a  
8 power line stranded when another utility takes over service for a customer not within SSVEC's  
9 service area. For this reason, Commission action is necessary with respect to the decommissioning  
10 costs provision of the line extension agreement.

11       6.     SSVEC estimates that it would cost \$15,000 to decommission the line to SBA and  
12 states that provision should be made to compensate SSVEC for this cost, should APS take over  
13 service to SBA. SSVEC states that it is a nonprofit cooperative and is charged to act prudently to  
14 ensure that the agreement with SBA does not result in investment that is stranded and not  
15 producing revenue.

16       7.     Compensation by SBA for the cost of labor for decommissioning SSVEC's line is  
17 reasonable, protects the interests of SSVEC's members and was agreed to by SBA.

18       8.     Staff has recommended approval of the Line Extension Agreement provision that  
19 SBA pay for the labor costs (less salvage credits) for decommissioning SSVEC's line, if APS  
20 decides to take over service to SBA and retire all or a portion of SSVEC's line.

21       9.     Contract terms unrelated to conformance with the SSVEC tariff are not addressed in  
22 this Order, nor does this Order make any judgment regarding the appropriateness of the Line  
23 Extension agreement for SBA.

24 CONCLUSIONS OF LAW

25       1.     SSVEC is an Arizona public service corporation within the meaning of Article XV,  
26 Section 2, of the Arizona Constitution.

27       2.     The Commission has jurisdiction over SSVEC and over the subject matter of the  
28 application.

3. The Commission, having reviewed the application and Staff's Memorandum dated December 31, 2008, concludes that it is in the public interest to approve the provision regarding decommissioning costs in the SSVEC/SBA Line Extension Agreement.

ORDER

IT IS THEREFORE ORDERED that the Sulphur Springs Valley Electric Cooperative, Inc./SBA Line Extension Agreement provision regarding decommissioning costs be, and hereby is, approved.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

**BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this \_\_\_\_\_ day of \_\_\_\_\_, 2009.

\_\_\_\_\_  
BRIAN C. McNEIL  
EXECUTIVE DIRECTOR

DISSENT: \_\_\_\_\_

DISSENT: \_\_\_\_\_

EGJ:JMK:lh\WVC

Decision No. \_\_\_\_\_

1 SERVICE LIST FOR: Sulphur Springs Valley Electric Cooperative, Inc. and Arizona Public  
2 Service Company

3 DOCKET NOS. E-01575A-08-0448, E-1345A-08-0393 and E-01575A-08-0393

4 Mr. Thomas L. Mumaw  
5 Pinnacle west Capital Corporation  
6 Law Department  
7 Post Office Box 53999  
8 Phoenix, Arizona 85072-3999  
9 Attorney for Arizona Public Service Company

10 Mr. Christopher Hitchcock  
11 Law Office of Christopher Hitchcock, PLC  
12 1 Copper Queen Plaza  
13 Post Office Box AT  
14 Bisbee, Arizona 85603-0115

15 Mr. Ernest G. Johnson  
16 Director, Utilities Division  
17 Arizona Corporation Commission  
18 1200 West Washington Street  
19 Phoenix, Arizona 85007

20 Ms. Janice M. Alward  
21 Chief Counsel, Legal Division  
22 Arizona Corporation Commission  
23 1200 West Washington Street  
24 Phoenix, Arizona 85007